ICBA
INDEPENDENT COMMUNITY BANKERS of AMERICA®

November 17, 2015

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street, SW
Suite 3E-218, Mail Stop 9W-11
Washington, DC 20219

Mr. Robert DeV. Frierson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Mr. Gary A. Kuiper
Counsel, Attn: Comments
Room MB-3074
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Re: Proposed Revisions to the Consolidated Reports of Condition and Income (Call Report), Attention 1557-0081, FFIEC 031 and 041

Dear Ladies and Gentlemen:

The Independent Community Bankers of America (ICBA)[1] appreciates the opportunity to provide comment on the Federal Financial Institutions Examination Council's (FFIEC) proposed revisions to the quarterly call report (Proposal). ICBA fully supports the FFIEC's initiative to reduce the community bank burden of preparing and filing a quarterly call report. Community banks are facing an unending wave of new regulations as a result of the financial crisis of 2008-09 that were intended to apply to the largest

[1] The Independent Community Bankers of America®, the nation's voice for more than 6,000 community banks of all sizes and charter types, is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education and high-quality products and services.

With 52,000 locations nationwide, community banks employ 700,000 Americans, hold $3.6 trillion in assets, $2.9 trillion in deposits, and $2.4 trillion in loans to consumers, small businesses, and the agricultural community. For more information, visit ICBA's website at www.icba.org.

financial institutions in the country but have been summarily applied to the many community banks who continue to maintain conservative, relationship-focused business models using very high levels of high-quality regulatory capital. The end result of this new wave of regulation is increased compliance costs, heavy regulatory scrutiny, and less capital to lend in urban, suburban, rural, and underserved communities nationwide. The fact that the FFIEC and its member agencies are considering the task of burden reduction for community banks through this proposal is a very encouraging sign that the agencies seek to maintain a healthy and viable community banking industry in the United States.

More importantly, **ICBA is encouraged that the FFIEC is actively reviewing the benefits of creating a less burdensome call report for certain institutions that meet specified criteria such as asset size and activity limitations. ICBA strongly believes that community banks should be permitted to file short-form call reports with limited financial schedules in two of the four reporting quarters.** Because community banks do not maintain a fluid and dynamic business model with large shifts in assets and liabilities each quarter, the current level of exhaustive financial reporting through the quarterly call report does little to provide visibility into any potential risks posed to the Deposit Insurance Fund by these conservative, well-managed lenders. Contrast this with the reporting requirements, which task community bank operations and management teams with countless hours of administrative work to complete the call report each quarter. Add to the cost the thousands of dollars spent by each community bank on third party call report preparation services that provide only limited benefit and the call report endeavor becomes a burdensome, costly undertaking with little safety and soundness benefit.

The Proposal

The FFIEC proposes to revise certain call reporting requirements in December 2015 and March 2016. Changes to be made include the following:

-deletion of certain data items for other-than-temporary impairments, troubled debt restructurings, loans covered under FDIC loss-sharing agreements, and unused commitments on certain asset-backed commercial paper conduits
-increase in reporting threshold from $25,000 to $100,000 for certain schedules with itemized reporting including other noninterest income, other noninterest expense, all other assets, and all other liabilities
-amendments to certain instructions on the reporting of home equity lines of credit, fair value option securities, and net gains and losses on equity securities that do not have readily determinable fair values
-amendments to time deposit thresholds for reporting deposit information in certain schedules from $100,000 to $250,000 for quarterly averages, interest expense, and maturity and repricing data
-expansion of the selections under the memorandum item disclosing the most comprehensive level of auditing work performed by the independent accountants

The proposal includes other specific revisions for data items applicable only to larger financial institutions.

Additionally, the FFIEC in this proposal has outlined actions under a formal initiative to identify opportunities to reduce the call reporting requirement burden for community banks. The FFIEC has created three guiding principles for determining whether an item should be added, deleted, or otherwise revised to the quarterly call report format. Those principles are as follows:

-the data items should serve a long-term regulatory or public policy purpose by assisting the FFIEC's member entities in fulfilling their missions of ensuring the safety and soundness of financial institutions and the financial system and the protection of consumer financial rights, as well as entity-specific missions affecting national and state-chartered institutions
-the data items to be collected should maximize practical utility and minimize, to the extent practicable and appropriate, burden on financial institutions
-equivalent data items are not readily available through other means

Based on these three principles, the FFIEC has initiated or plans to initiate the following five actions under its initiative to reduce the burden faced by call report preparers:

-proposal of the specific burden-reducing initiatives described above;
-commencement of a statutory review of existing call report data items, an acceleration of the mandated review that would have started in 2017;
-consideration of the practicality and benefits of creating a less burdensome version of the quarterly call report depending on the size of the institution and the types of activities it engages in;
-engaging call report preparers directly to determine specific sources of burden, where automated third party service providers cannot provide fully automated solutions to streamline preparation; and
-offering periodic training to call report preparers through teleconferences and webinars to explain upcoming reporting changes and identification of areas where challenges arise

ICBA's Comments

ICBA is very encouraged by the release of this proposal by the FFIEC to address a long-standing regulatory burden faced by community banks across the United States to complete a call report that has ballooned in size with a voluminous instruction manual that has become overwhelming for the average community bank to handle. We also commend the FFIEC for conducting onsite reviews of how community banks prepare their call report. In a survey ICBA conducted on this very topic last year, almost three quarters of respondents stated that over the last ten years the number of hours required to complete the call report had increased. Over one-third of respondents stated that the number of hours had increased significantly. When asked about the cost of preparing the call report, responses were similar with well over three quarters seeing increased costs and almost one-third seeing costs increase significantly. ICBA believes these

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observations are a clear indication that community banks need regulatory relief in the area of call report preparation.

Even more encouraging to ICBA and community bankers is the FFIEC's formal initiative to identify potential opportunities to reduce call report burden for community banks. The FFIEC's third action under the initiative to consider introducing a less burdensome call report for certain community bank institutions is the much needed solution to this ever-growing problem. When ICBA asked community bankers about the impact of a short-form call report in certain quarters, respondents overwhelmingly indicated that the time reduction would be at least 25% with almost half of respondents indicating a 50% drop in the time required. In a telling sign of the relief that a short-form call report would bring, 72% of respondents indicated that a short-form call report would reduce the overall regulatory burden substantially. Clearly this survey shows that any action taken by the FFIEC to introduce a call report for community banks with limited schedules in certain quarters is the answer to community bank frustrations when trying to complete such a burdensome regulatory requirement every quarter. ICBA believes that the short-form call report should only include a balance sheet, income statement, and statement of changes in shareholders' equity.

The proposed specific regulatory burden reducing changes indicated as the first action under the FFIEC initiative and outlined in this proposal for specific schedules will bring limited relief to community banks and will have minimal impact on the overall call reporting burden. However, the FFIECs overall initiative, with its five clearly articulated actions including a possible short-form call report for community banks, is the right answer to combating the regulatory burden that has exploded over the last couple of decades and caused a great deal of banker frustration, not to mention the unprecedented consolidation of the industry over this short period of time. This initiative represents the greatest endeavor observed by ICBA to combat a growing problem in quite some time. We remain eager to assist the agencies in any manner requested to help bring more relief to community banks when rolling out the actions contained in the initiative.

ICBA appreciates the opportunity to comment on this proposal. If you have any questions or would like additional information, please do not hesitate to contact me at james.kendrick@icba.org or (202) 659-8111.

Sincerely,

/s/

James Kendrick
Vice President, Accounting & Capital Policy